



EDUCATION FUNDING COMMITTEE

Thursday, February 24, 2022
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Donald Schaible, Chairman, called the meeting to order at 10:00 a.m.

Members present: Senators Donald Schaible, Erin Oban, David S. Rust; Representatives Donald Longmuir, David Monson

Members absent: Senators Jay R. Elkin, Michael A. Wobbema; Representatives Ron Guggisberg, Mark S. Owens, Denton Zubke

Others present: See [Appendix A](#)

Chairman Schaible noted the committee does not have a quorum and will consider the minutes of the October 7, 2021, meeting at a later date.

ELEMENTARY AND SECONDARY EDUCATION STATE AID AND FUNDING FORMULA STUDY

Mr. Adam J. Tescher, Director, School Finance and Organization, Department of Public Instruction, provided information ([Appendix B](#)) regarding enrollment and state school aid. He noted:

- Based on current enrollment estimates and estimated local contributions to the state school aid formula, the department anticipates approximately \$45.7 million of state school aid will remain unspent at the end of the 2021-23 biennium. State school aid expenditures are estimated to be less than budgeted due to lower enrollment and higher local in lieu of revenue than anticipated in the budget.
- Enrollment for the 2021-22 school year is 113,858 students and enrollment for the 2022-23 school year, projected using a 3-year cohort survival excluding the 2020-21 school year due to COVID-19 impacts, is anticipated to be 115,879 students. Enrollment for the 2023-24 school year is projected to total 117,256, and reflects a significant drop in kindergarten students due to decreased births in 2018.
- Total enrollment in the 9 largest school districts continues to increase while total enrollment in all of the other school districts in the state remains steady. Enrollment in the 164 smaller school districts, those with a total enrollment under 2,000 students, varies significantly by school district.

In response to a question from a committee member, Mr. Tescher noted while the dollar amount of the transition minimum adjustments will decrease, the number of schools not on formula will not decrease until the additional transitional funding is phased out over 7 years. He noted 91 school districts, approximately 50 percent of school districts, are not on the formula.

Mr. Tescher provided information ([Appendix C](#)) regarding high-cost students and the fiscal impact of student placement. He noted:

- The Department of Public Instruction (DPI) reimburses school districts for high-cost students and a school district's maximum responsibility depends on the student's placement. For students placed in foster care or a residential facility, the resident district is financially responsible for the state average cost of education. For high-cost special education students, the resident district is financially responsible for up to four times the state average. Costs exceeding these maximums are reimbursed by the department. There is no reimbursement for high-cost students with medical needs who are not on an individualized education program (IEP).

- The department organized a stakeholder workgroup to create guidance for school districts to build consistent service rates. Updated service rates may be less than current rates which could result in lower reimbursements and may decrease the number of students that qualify for reimbursement and not reach the approximately 1 percent of special education students identified in North Dakota Century Code Section 15.1-32-18. The department will have more information after June 2022, when most districts will file for reimbursement.

In response to a question from a committee member, Mr. Tescher noted administrative rules establish appropriate charges for special education; however, DPI has no authority to audit the charges.

Mr. Jamie Mertz, Director, Fiscal Management, Department of Public Instruction, provided information ([Appendix D](#)) regarding a summary of the use of funding from the federal Elementary and Secondary School Emergency Relief (ESSER) Fund. He noted:

- Funding from the ESSER I Fund allocation must be obligated by September 30, 2022. Just over 93 percent of the allocation, or \$28 million, has been spent.
- Funding from the ESSER II Fund allocation must be obligated by September 30, 2023. Approximately 15 percent of the allocation, or \$18.2 million, has been spent. While funding from the ESSER II Fund has a learning loss requirement, there is no minimum that must be used for learning loss.
- Funding from the ESSER III Fund allocation must be obligated by September 30, 2024. Approximately 5 percent of the allocation, or \$14.2 million, has been spent. The ESSER III Fund allocation requires 20 percent of funding allocated must be used for learning loss. Schools have been using the ESSER III Fund allocation first to meet the learning loss expenditure threshold requirement that is not included in the ESSER I Fund or ESSER II Fund allocations.
- All funding from the ESSER Funds must be spent and reimbursed by the end of each of the respective years. There are currently no extension provisions, so funding not used will be returned to the federal government.
- The most popular uses for funding from the ESSER Funds are technology; learning loss (extra teachers); repairs, including air filtration; carpet replacement; transportation, including additional buses; and cleaning supplies.
- The department's discretionary funding from the ESSER Funds is being used for initiatives related to learning loss, summer school, afterschool programs, and other uses, including an early learning partnership with the Department of Human Services (DHS) and grants to special education units and ineligible schools.

Ms. Kirsten Baesler, Superintendent of Public Instruction, Department of Public Instruction, provided an update on ESSER Fund federal reporting. She noted:

- Reporting for the ESSER I Fund and ESSER II Fund has been less stringent than the ESSER III Fund.
- The United States Department of Education reporting deadlines for the ESSER III Fund preceded guidance and guidance didn't match prior coding, so there has been an extension for ESSER III Fund reporting.

Mr. Jim Upgren, Assistant Director, School Approval and Opportunity, Department of Public Instruction, provided information ([Appendix E](#)) regarding school counselors. He noted:

- There are two types of counselors in schools. School counselors are credentialed by DPI and career and technical education career development counselors are trained by the Department of Career and Technical Education (CTE).
- Public schools are required to employ 1 full-time school counselor for every 300 students in grades 7 through 12. Beginning with the 2022-23 school year, the same requirement will apply to all students grades kindergarten through 12.
- School counselors generally address social-emotional, academic, and career counseling. The school counselor's role in career counseling is limited to the career interest inventory and career education.
- The school counselor credential requires graduate coursework and 450 hours of school counseling internship work, with 150 hours at each the elementary and secondary level.

- Some school districts may choose to pay for some or all of the cost of a staff member to complete the training necessary for a school counselor credential. Graduate coursework in school counseling would qualify for ESSER Fund reimbursement.

Mr. Wayne Sick, Director, Department of Career and Technical Education, provided information ([Appendix F](#)) regarding CTE career development counselors. He noted:

- There are approximately 100 career development counselors in the state.
- Career development counselors are required to submit annual plans and reports. Reimbursement from the state general fund is 35 percent for salaries and extended contracts and 30 percent for travel for professional development and sharing of services between districts. Some school districts use allocated federal Perkins funds to fund career development counselors.
- RUPrepareND, an online career exploration tool, is used by many school districts to meet the interest inventory requirement. RUPrepareND is 100 percent funded by Perkins funds and gives students an opportunity to conduct high school, career, college, and financial aid planning. The department received funding from ESSER Fund allocations from DPI to update the RUPrepareND platform.
- There are also career advisors serving throughout the state. Career advisors, found primarily in larger school districts, are individuals with a background in industry that receive some training through CTE. The focus of career advisors is 100 percent career exploration and they cannot provide the same services as a career development counselor.

Ms. Heather Simonich, Operations Director, Nexus-PATH Family Healing, provided information ([Appendix G](#)) remotely regarding school districts' behavioral health challenges and services. She noted:

- Private public partnerships may reduce the cost of high-need students.
- A memorandum of understanding with the school district provides for a shared licensed social worker to be placed in the school to coordinate services and supports for the student and the family.
- Because the social worker can bill Medicaid or commercial insurance for certain services, the school district is paying for approximately 25 percent of the cost of a full-time social worker.
- Challenges to school-targeted case management include the cost of rural expansion, including workforce and travel, the complexity of braided funding, and nonbillable services.

In response to a question from a committee member, Ms. Simonich noted some school districts are using ESSER Fund allocations to contract for services, which raises concerns regarding a sustainable funding source.

At the request of Chairman Schaible, Dr. Mike Bitz, Superintendent, Mandan Public Schools, provided information regarding Mandan Public School's experience with Nexus-PATH Family Healing (Nexus). He noted:

- Mandan Public Schools shares a Nexus counselor with Wilton Public School.
- Mandan Public Schools identifies students eligible for Medicaid and refers them to Nexus; however, the school must provide a 50 percent match for Medicaid eligible services, which is deducted from state school aid provided by DPI.
- High-cost students should not need a special education designation to receive reimbursement and very few high-cost students are not on an IEP.
- It has been difficult to hire enough school counselors to meet a new requirement to have available one full-time equivalent school counselor for every 300 students in grades kindergarten through 6. When larger school districts fill these positions, it is usually at the expense of a smaller school district.
- Contracted counseling services should count toward the school counselor requirement.

In response to a question from a committee member, Dr. Bitz noted Nexus counselors are social workers and would not meet the school counselor requirement.

CAREER AND TECHNICAL EDUCATION STUDY

Mr. Sick provided information ([Appendix H](#)) regarding CTE's budget, CTE course cost reimbursement at schools, area career and technical centers, any new and expanding secondary programs, and an update on the use of federal funding for a statewide area career center initiative grant program. He noted:

- CTE receives a block grant from the state and reimbursements have varied based on funding appropriated and the number of programs. Current rates have been stable.
- During the November 2021 special legislative session, the funding for a statewide area career center initiative grant program was modified because, in addition to enabling work and education, federal guidance released in September 2021 required federal Coronavirus Capital Projects Fund projects to include health monitoring. The Legislative Assembly provided \$88.3 million of one-time funding anticipated to be received through the federal American Rescue Plan Act of 2021 from the Coronavirus Capital Projects Fund (\$68.3 million) and from the federal State Fiscal Recovery Fund (\$20 million) for a statewide area career center initiative grant program. Preference is to be given to applications that foster cross-district partnerships and involve postsecondary and workforce training partnerships. Applicants must provide one-to-one matching funds and grants will range from \$500,000 to \$10 million.
- State grant guidance was released in November 2021 with an application deadline of December 31, 2021. The goal to grant funds is March 31, 2022. All funds must be obligated by December 31, 2022, and must be spent by June 30, 2023. Delays in funding and supply chain issues may make the June 30, 2023, deadline difficult to meet and CTE may need carryover authority to complete the projects.
- A nine-person grant review team was established to provide recommendations to the State Board for Career and Technical Education.
- CTE received 17 applications totaling approximately \$117 million.
- Federal funding from the Coronavirus Capital Projects Fund has not yet been received by the state. The state submitted the application to the United States Department of the Treasury and the grant agreement has been executed. A grant plan, including the proposed use of the funds, was submitted February 1, 2022, and is currently being reviewed by the United States Department of the Treasury.
- The State Board for Career and Technical Education approved three projects in January 2022 that will be partially funded with the \$20 million of funding from the State Fiscal Recovery Fund and will have the opportunity to be fully funded when funding is received from the Coronavirus Capital Projects Fund.
- The grant review team has advanced 13 additional funding proposals to the State Board for Career and Technical Education which will review the recommendations on February 28, 2022.

In response to a question from a committee member, Mr. Sick noted CTE anticipates requesting additional funding to provide reimbursement for services at the new area career and technical centers anticipated to open as soon as 2023.

In response to a question from a committee member, Mr. Sick noted all of the applications included a virtual component and some included mobile labs to expand their reach.

At the request of Chairman Schaible, Dr. Jeff Fastnacht, Assistant Superintendent, Mandan Public Schools, and Chairman, State Board for Career and Technical Education, provided information regarding the State Board for Career and Technical Education's review of the area career and technical center applications. He noted:

- Reimbursement funding is based on a program model and the board weighs funding when reviewing new programs.
- Additional funding for programs expansions will be requested of the Legislative Assembly.

OTHER COMMITTEE RESPONSIBILITIES

Mr. Tescher reviewed a compilation of annual school district employee compensation reports ([Appendix I](#)) pursuant to Section 15.1-02-13. He noted:

- The *2020-21 Employee Compensation Report* includes data electronically submitted through the state automated reporting system (STARS) for school years ending in June of 2019, 2020, and 2021 and is available in an Excel format on the department's website. For comparison purposes, the report only includes full-time licensed school district employees who have worked more than 144 days, down from 175 days in 2019, due to school districts transitioning from days to hours. The report does not include employees earning less than \$27,500, the minimum salary allowed for a teacher.
- Pursuant to Section 15.1-02-13, school districts are required to submit employee compensation information before September 11 of each year.

- The average base salary for administrators increased from \$99,337 to \$103,439, or 4.13 percent, from 2019 to 2021. The average base salary for teachers increased 3.53 percent, from \$54,154 to \$56,063, over the same period.
- The number of administrators statewide increased from 643 in 2019 to 696 in 2021, while the number of teachers increased from 9,176 to 9,613 during the same period. Administrators include principals, superintendents, directors, assistant principals, assistant or deputy superintendents, and assistant directors. Teachers include coordinators, counselors, instructional programmers, library media specialists, special education consultants, pupil personnel, psychologists, speech and language pathologists, supervisors, teachers, and tutors in training.

Mr. Tescher reviewed an annual report regarding the financial condition of school districts ([Appendix J](#)) pursuant to Section 15.1-02-09. He noted:

- The annual report, entitled *School Finance Facts*, is published in February for the preceding school year and is available on DPI's website ([Appendix K](#)). The report includes statewide and district information regarding fund balances, taxable valuation, mill levy rates, revenues, expenditures, average cost per pupil, enrollment, teachers and salaries, state aid and transportation statistics, and open enrollment counts.
- General fund balances as of June 30, 2021, have increased from the prior year and there were fewer transfers between funds. This was likely due to the Legislative Assembly suspending the limit on school district general fund ending balances.

Mr. Tescher provided an update on the status of the funding for information technology project upgrades to STARS and the statewide longitudinal data system (SLDS) ([Appendix L](#)). He noted:

- Senate Bill No. 2346, approved during the 2021 special legislative session, authorized DPI to withhold \$88 per student from the integrated formula payment to fund information technology project upgrades to STARS and SLDS. Funds were withheld from the January 2022 state school aid payment to school districts eligible for ESSER Fund allocations.
- School districts may request ESSER Fund reimbursement for amounts withheld.
- In addition, the Legislative Assembly also provided \$100,000 of one-time funding from the State Fiscal Recovery Fund to DPI for the information technology upgrades. The funding was provided in lieu of withholding from school districts not eligible for ESSER Fund allocations.

Mr. Shawn Riley, Chief Information Officer, Information Technology Department, provided information ([Appendix M](#)) remotely regarding the status of the information technology project and project timing. He noted:

- The project, sponsored by DPI and DHS, has been named Project Lighthouse and will focus on solving the primary needs of DPI.
- The project plans make all data about children, including early childhood information, securely available for analytics and decisionmaking by policymakers.
- Requirements of the project are being developed with the primary partners.
- A data strategy workshop will be held in late March or early April 2022.
- Implementation will be in phases beginning in 2022 and will continue over multiple years.

COMMITTEE DISCUSSION AND STAFF DIRECTIVES

The committee discussed the shortage of teachers, teacher compensation, and increasing class sizes.

A committee member expressed concern that, while school districts would like to use ESSER Fund allocations to hire more teachers to address learning loss, there is concern that when the funding is no longer available the school district may need to remove the teacher through the nonrenewal procedure.

Dr. Bitz noted legislation to allow a time-limited contract when the funding source is temporary would save the school district and the teacher from the nonrenewal procedure.

Ms. Baesler noted the statewide student-to-teacher ratio of approximately 12-to-1 is good; however, there are school districts that have larger class sizes.

Chairman Schaible noted the Taxation Committee has been assigned a study of increasing property tax relief through the state school aid funding formula. He noted the Education Funding Committee may consider a joint meeting with the Taxation Committee.

No further business appearing, Chairman Schaible adjourned the meeting at 2:49 p.m.

Sheila M. Sandness
Senior Fiscal Analyst

ATTACH:13